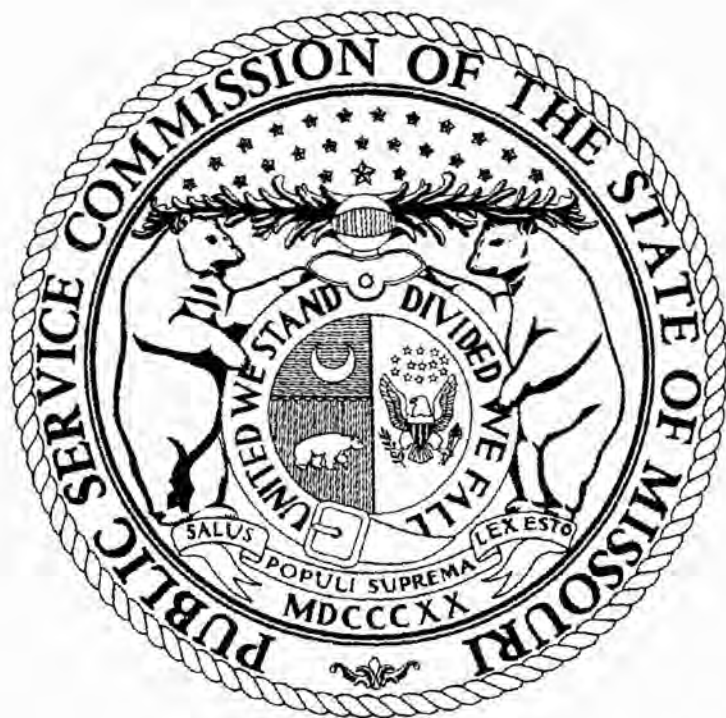




# Missouri Public Service Commission

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1990 Annual Report



# **Missouri Public Service Commission**

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## **1990 Annual Report**

**William D. Steinmeier, Chairman**

**David L. Rauch, Vice Chairman**

**Allan G. Mueller, Commissioner**

**Kenneth McClure, Commissioner**

**Ruby Letsch-Roderique, Commissioner**

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# History of the Commission

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## Missouri Public Service Commission

From regulating street cars and railroads in 1913, to telephone divestiture and nuclear power plants in the 1980s, the Missouri Public Service Commission has had a changing, but major, impact on the State's citizenry and economy throughout most of the Twentieth Century.

Governor Elliott Major supported creation of the Missouri Public Service Commission. In his inaugural address of January 13, 1913, Major called the creation of the Missouri Public Service Commission, "one of the necessities of the hour." Governor Major stated, "The enactment of such a law will not only be to the interest of the public, but also to the interest of the utilities regulated and controlled. A number of other states, including New York and Wisconsin, have already enacted such a law, and it has proven to be exceptionally benefi-

cial and satisfactory. The control of public service corporations is a fixed policy of this State and government, and it is now an accepted axiom that the operation of a public utility is a public trust, subject to the control of the State by fair and just regulatory measures." Governor Major considered the creation of the Missouri Public Service Commission to be "one of the most important acts of the Legislature in many years."

The 47th General Assembly passed legislation sponsored by Carroll County Senator William Busby which created the Missouri Public Service Commission. The law, which took effect on April 15, 1913, was the first trial in Missouri of comprehensive, statewide regulation of rates and service of all public utility companies by a commission. The Missouri Public Service Commission replaced the Board of Railroad and Warehouse Commissioners which had been established in 1875 to regulate railroads operating in Missouri.

Two Democrats and two Republicans were named to the first Commission. In its April 14, 1913 editions, the *Jefferson City Daily Post* stated, "By going outside of his own party and appointing two Republicans the governor upset the doleful prediction of Senator James A. Reed and other old guard

leaders that he would appoint 'political henchmen' to the commission and thus pay off his political debts."

John Atkinson, a former Assistant Attorney General and Speaker of the Missouri House, was named as the Commission's first chairman. Atkinson, from Doniphan, Missouri, had acted as private secretary to the Governor during the previous legislative session. Former Missouri Supreme Court Justice John Kennish also served on the first Commission. Kennish, a former state senator, served from 1913 until 1917. He returned in 1920 to fill the unexpired term of David Blair when Blair left the Commission to serve on the Missouri Supreme Court. Frank Wightman, a railroad expert from Monett, Missouri, and a former member of the Board of Railroad and Warehouse Commissioners, was appointed to the first Commission. The fourth member named was Howard Shaw, Dean of the School of Engineering at the University of Missouri-Columbia. St. Louis attorney William Woerner was appointed to the PSC on July 3, 1913. Woerner's appointment came almost three months after the other four Commissioners had been appointed.

Under the law creating the Missouri Public Service Commission, the PSC was to hold sessions in the State Capitol in Jefferson City. Due to the 1911 fire which destroyed a good portion of the Capitol, the Commission held its first session in the temporary State Capitol. That structure was built between the State Capitol and the current Missouri Highway and Transportation Department Building. During that session, the Commission issued its first order which granted authority to the Missouri, Kansas and Texas railroad to issue

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\$54,978,000 in bonds for refunding, rebuilding equipment and the acquisition of new property. After its first session, the Commission moved to quarters in the old Supreme Court Building until the State Capitol was rebuilt. The old Supreme Court Building was located where the Missouri Highway and Transportation Department Building stands today.

When established in 1913, the PSC was given general supervision over all railroads, street railroads, express companies, all kinds of car companies, steamboat companies operating upon waters in Missouri and all other common carriers. The Commission was also given jurisdiction over all gas corporations, electric, telephone, telegraph, water and municipal systems.

At the close of the year, December 31, 1913, there were 877 corporations, municipalities and individuals engaged in serving the public in some capacity that, by operation of PSC law, placed them under the supervision and jurisdiction of the Commission. In 1913, the Commission regulated approximately 426 telephone corporations.

With the creation of the Missouri Public Service Commission, the General Assembly no longer set rates for public utilities. In 1907, the General Assembly passed a law which had reduced the maximum rates for railroad companies carrying freight and passengers. Those railroad companies obtained an injunction against enforcement of the law and an appeal was taken on behalf of the State of Missouri to the United States Supreme Court. The court case, generally referred to as "The Missouri Rate Cases," was argued before the U. S. Supreme Court by the Missouri Attorney General's office. Led by then

Attorney General Elliott Major, the state's position was upheld in 1913.

In 1915, the Missouri Public Service Commission listened while railroad companies offered specific evidence seeking to raise rates above those mandated by statute in 1907. In a November 10, 1915 decision, the Commission allowed the railroad companies to charge fares and rates higher than those that had been fixed by statute. Commissioner Edwin Bean wrote in a 1961 *Missouri Historical Society Bulletin*, "Governor Major made no public comment on the decision, but he was furious that a commission of his creation had increased the rates he had labored so hard to maintain in the case in court."

The 1915 case proved to be a significant one in the early history of the Commission. Edwin Bean wrote that while the case "... made many enemies for the Commission, especially among members of succeeding legislatures, it gained strong supporters among conservative elements, including the judges of the Appellate Courts. The public utility companies had stood (sic) askance at the enactment of the Public Service Commission Law. The decision in the railroad rate case convinced them that decisions by the Commission would be made on the evidence rather than on

political considerations, so that they became supporters of such legislation at the state rather than at the local level."

Rates during the first four years of the Missouri Public Service Commission remained stable and, in many cases, they were lowered. That changed with World War I. With the war came a sharp rise in the cost of labor and materials.

Commissioner David Blair looked back at the war years in a speech before the St. Louis Electrical Board of Trade in April, 1920. Blair told the gathering that "... while men will smilingly and complaisantly, though not uncomplainingly, pay two or three times the old prices for food and clothing, building materials and for their amusements, an advance of from 20 to 40 percent in utility service rates is always met by a



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storm of popular disapproval," Blair noted rates had to increase or bankruptcy and complete breakdown of service would have been the ultimate result.

In the early 1920s, a storm of opposition arose against Public Service Commissions across the country. The public had grown suspicious because utility rates had increased because of high prices. Many seemed to think Commissions were established solely to reduce utility rates. Even though labor, fuel and materials rose drastically, the public failed to understand why utility rates must go up. Commissioner Blair noted that due to the war and the need to increase utility rates, the early opponents of state regulation became its champions while its former champions became its critics.

The Missouri Public Service Commission moved from its quarters in the

old Supreme Court Building in the early 1920s. The Commission held sessions in its new quarters in the State Capitol.

Prices started to decline during the end of 1921 and early in 1922. When a utility company was granted a rate increase by the Public Service Commission, that company filed detailed financial statements of its revenues and expenses with the Commission. Those reports were reviewed by the PSC Staff. Whenever it appeared a utility company had a sufficient decrease in operating cost, the Commission did not set a formal hearing. Instead, the Commission made a phone call. The company was told it could stand a rate reduction and they could either agree with the Commission's reduction or request a formal hearing. Although some protested, most accepted the rate reduction.

The Missouri General Assembly passed legislation in 1927 which expanded the duties of the Missouri Public Service Commission. The Commission was given jurisdiction over motor bus operators, increasing the PSC workload by approximately 30 percent. Problems in the motor bus industry existed when the PSC took over jurisdiction. There were no established rates and some of the vehicles used on Missouri highways were unsafe.

Before regulation was fully established, the Commission learned of several cases in which passengers were left stranded on highways.

In 1927, the Missouri public was furnished telephone service by approximately 1,300 companies. The Missouri PSC regulated approximately 475 telephone companies while another 825 were small mutual companies, a majority of which were formed by farmers who maintained their own lines and equipment and did not provide service to the general public.

The duties of the Missouri Public Service Commission expanded again in 1931 when the Commission was given jurisdiction over motor freight carriers. The Bus and Truck Act became effective on September 14, 1931. During this period, the Commission also issued orders which authorized the construction of natural gas plants in 40 Missouri cities which did not have natural gas service. Central Missourians watched as the Osage River took on a new look in the early 1930s as Union Electric Company built Bagnell Dam which created the Lake of the Ozarks.

In July of 1934, the Missouri Public Service Commission moved from its offices in the State Capitol to the old Federal Court Building which adjoined the Capitol grounds. From November 1934 to November 1936, the Commission issued approximately 7,700 orders on utility matters.

The early 1940s found the United States involved in World War II. The repercussions of war were felt by the Missouri Public Service Commission as employees were lost to the war cause and projects planned by the Commission had to be delayed.

During the war, the Commission

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expanded its usual and customary work to meet the emergencies of war. Special studies were made by the Commission on methods of defense against every anticipated sabotage effort to plants which supply water, electricity, gas and other utilities necessary for the civilian and military population. After the bombing of Pearl Harbor, problems developed regarding power and gas supplies. The Missouri Public Service Commission joined other midwestern commissions to form the Mid-West Utility Commissioners Committee. Under its supervision, studies and surveys were made of available power supplies in various states in order to reserve power for use in emergencies and in the war effort.

The first female Commissioner was appointed to the PSC in January, 1943. Miss Agnes Mae Wilson, a Trenton, Missouri lawyer and former high school teacher from Galt, Missouri, was Secretary of the Commission prior to her appointment. Her time on the Commission was a busy one. By 1945, the Commission had jurisdiction over 36 railroads, nearly 100 bus companies and approximately 1,000 truck companies. The Commission also regulated 300 companies supplying electricity, gas, water and steam to Missourians. The Public Service Commission also regulated approximately 161 telephone companies.

As the United States headed out of the 1940s and into the 1950s, utility companies were faced with the problem of rendering services to a greatly increasing number of customers through facilities which were basically constructed before the war. Increased operating costs caused many utility companies to petition the Commission seeking an increase

in rates.

In 1920, there were 348 separate electric systems operating in Missouri. By the mid-1950s, there were 14. Electric plant investment from the mid-1940s to the mid-1950s increased by approximately 248 percent. At the same time, use of service by the public had increased by that much or more. Gas companies continued to grow at an enormous rate during this time and water companies were able to expand plants and complete construction work to meet increased customer needs.

The Missouri Public Service Commission regulated approximately 493 telephone companies in 1920. By the mid-1950s, that number had dwindled to 144 due to consolidations by purchase and transfers to corporate interests. Plant investment for telephone service throughout Missouri increased by approximately 264 percent. To replace former systems with dial operated plants, old telephone plant had to be extensively replaced. In addition, companies continued to expand the telephone network into the rural areas of Missouri.

The Commission moved its operations again in the 1950s. This time, the Commission moved from the old Federal Court Building to the Jefferson State Office Building. The Commission

occupied the 9th and 10th floors of that building for approximately 30 years before moving into its present offices in the Truman State Office Building in November, 1983.

From 1951 to 1960, gas utilities expanded dramatically. The volume of gas sold increased by 77 percent during that time and income from gas sales increased by approximately 122 percent. Investment in plant property increased 169 percent and the number of consumers using natural gas increased by approximately 31 percent.

The telecommunications industry continued to grow as Missouri entered into the 1960s. New telephone services such as WATS and Telepak were introduced. In addition, 95 percent of all telephones in Missouri were dial operated. In 1963, extensive cable pressurization programs were being carried out to provide extra resistance to service interruptions caused by storms and rain. In



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1964, a new service plan was introduced to upgrade telephone service to approximately 28,000 rural customers who had eight-party service.

Following a major power failure in the northeastern part of the United States in November of 1965, Missouri Governor Warren Hearnes ordered an investigation to determine if a similar power failure could occur in Missouri. The Public Service Commission was responsible for the investigation which was to also determine what steps could be taken to avert such a power failure and what appropriate actions could be taken in the event a massive failure did occur in Missouri. The investigation revealed Missouri's power situation was less vulnerable to breakdown than in the heavily populated northeast. The report also recommended corrective measures be taken to assure an uninterrupted power supply for Missouri consumers.

Governor Warren Hearnes on June 1, 1967, signed into law emergency legislation which gave the Missouri Public Service Commission control over private sewer systems operating as public utilities in Missouri.

Several rate increase request cases were filed with the Missouri Public Service Commission during the late 1960s and early 1970s. Most increase requests were made because inflationary pressures had driven up the cost of labor, materials and capital for utility companies. The effects of inflation were intensified due to the rising demand for those services provided by utility companies. In order to keep pace with demand, many utilities were forced to undertake expansion at a time when costs were high. During the 1970-71 fiscal year, there were 51 utility rate proceedings before the Commission, a 66 percent increase over the previous year and a 100 percent increase over the 1968-69 fiscal year.

The duties of the Missouri Public Service Commission were expanded during the 1972-73 fiscal year. The Commission was given jurisdiction over the safety of mobile homes and recreational vehicles. In 1973, the Commission started a program enforcing safety standards covering mobile homes and

recreational vehicles manufactured or sold in Missouri.

In 1973, the Missouri Public Service Commission authorized the Kansas City Power and Light Company and the St. Joseph Light and Power Company to construct a 600 megawatt coal-fired generating plant on the Missouri River near Weston. Today that facility is known as Iatan. In July of that same year, Union Electric Company announced its intention to construct the first nuclear-power electric generating plant in Missouri. The Callaway nuclear power plant is located approximately 20 miles northeast of Jefferson City in Callaway County. The Callaway nuclear power plant began commercial operation in December, 1984.

The first review of the management and operations of a utility under the jurisdiction of the Missouri Public Service Commission was made in the fall of 1975. The Commission directed the Missouri Public Service Company to contract with a consulting firm to conduct a management review of the company. The Continental Telephone Company of Missouri was ordered in November of 1975 to contract with a consulting firm for a management review. In addition, Union Electric of St. Louis was also directed to contract with a consultant in November of that same year to review Union Electric's plans for the construction of its nuclear power plant facility in Callaway County, Missouri.

The Missouri Public Service Commission took an important step toward helping consumers who were faced with utility bills they could not pay when it adopted the Cold Weather Rule in 1977. This rule contains strict procedures which utility companies must follow

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before heat-related utility service can be terminated during the winter months.

A Commission decision in 1974 was overturned by the Missouri Supreme Court on June 29, 1979 when the high court disallowed the so-called "fuel adjustment clause" for electric companies under PSC jurisdiction. In 1974, the Commission authorized the state's electric utilities to automatically pass along changes in the price of fuel from its suppliers to its customers. However, in 1979, the Missouri Supreme Court ruled the Commission did not have the express statutory authority to grant any rate increases to electric companies without considering "all relevant factors". On October 19, 1979, the Cole County Circuit Court, on remand, ordered the state's major electric utilities to refund approximately \$14 million collected through a surcharge to the fuel adjustment clause during 1976 and 1977. In addition, the court ordered the companies to add 6 percent interest to the refund.

Dramatic increases in the price of natural gas greeted Missouri consumers as they entered into the 1980s. The entire nation was faced with an energy crisis, which included people waiting in line at local gas stations to fill up their cars at prices which reached over a dollar a gallon. The federal government enacted the Natural Gas Policy Act of 1978, which provided for the phased deregulation of natural gas by 1985. As a result, natural gas customers in Missouri saw rates increase by approximately 127 percent from January, 1979 to July, 1983. Rate increases granted to wholesale suppliers by the Federal Energy Regulatory Commission accounted for approximately 112 percent of that increase.

During the early 1980s, the Missouri Public Service Commission was faced with new and complicated issues, including nuclear power plant rate cases and the divestiture by AT&T of its Bell Operating Companies. January 1, 1984, marked the implementation of one of the biggest antitrust case settlements in United States history; the breakup of AT&T. Access line rates, interLATA and intraLATA competition, telephone bypass and toll pooling were issues before the Public Service Commission. The continued goal of universal telephone service, the future pricing structure of telephone rates and the smooth transition of the telephone industry toward an increasingly competitive telecommunications environment were at stake.

Since its creation in 1913, the Public Service Commission regulated transportation matters (railroad, bus and truck) in Missouri. That changed in 1985 when Governor John Ashcroft signed into law Senate Bill 2 which established a separate Division of Transportation to handle transportation matters. After more than 70 years, transportation issues were no longer under PSC jurisdiction.

The challenge of determining prudent nuclear power plant construction

costs faced the Missouri Public Service Commission in 1984. Three electric companies filed rate cases with the Commission seeking to place nuclear power plant construction costs in consumer rates. Arkansas Power and Light Company sought to include its share of the cost of the Grand Gulf nuclear power plant. Union Electric Company sought recovery of the construction costs of its Callaway nuclear power plant and the Kansas City Power and Light Company filed a rate case involving the Wolf Creek nuclear power plant. In each case, rate proposals filed with the Commission would have a significant impact upon consumer rates.

On March 29, 1985, the PSC issued its first decision regarding nuclear power plant construction costs. The Commission disallowed approximately \$384

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million from Union Electric Company's rate base due to mismanagement and unjustified cost overruns at the Callaway nuclear power plant. That represented the largest single "prudence" disallowance by any PSC in the nation up to that time. In addition, the Commission ordered the company to phase-in a \$455 million (45%) increase over an eight year period to lessen the financial impact upon customers of the utility company.

On April 23, 1986, the Commission determined that approximately 60 percent of Kansas City Power and Light Company's rate increase request should be denied. A \$78.2 million increase was ordered phased-in over a seven year period. The Commission cited excess capacity, cost overruns and project mismanagement at the Wolf Creek plant and excessive earnings in non-Wolf Creek operations as major factors in

reaching its decision. A final rate case decision involving nuclear power plant construction costs was reached on April 24, 1986, when the Commission issued its decision in a case filed by the Arkansas Power and Light Company. The Commission significantly reduced the company's request, authorizing Arkansas Power and Light to phase-in a \$6 million rate increase over five years. The company had asked for approximately \$17.1 million. A significant portion of Arkansas Power and Light's rate increase was attributable to a Federal Energy Regulatory Commission decision which allocated 36 percent of the Grand Gulf nuclear power plant costs to Arkansas Power and Light.

On March 28, 1986, the Commission rejected, for a second time, a request filed by the Union Electric Company to recoup from ratepayers, the cancellation costs of the Callaway II nuclear power plant. The case came before the Commission on remand from the Missouri Supreme Court. In 1983, the Commission had denied the cancellation costs, stating "Proposition I" barred recovery. ("Proposition I" was a statute enacted by referendum which prohibited recovery of power plant construction costs before a plant was "fully operational

and used for service"). Union Electric appealed the Commission's decision and the state's high court remanded the matter to the Commission for further findings, declaring "Proposition I" was inapplicable to costs of a cancelled unit. In the Commission's 1986 decision, the PSC determined the cancellation costs were extraordinary expenses which the Commission could allow or disallow, in its discretion, based upon the unique facts and circumstances of an individual case. The Commission compared the effect of non-recovery on Union Electric with the effect of recovery upon ratepayers. The Commission concluded that "the increased rates associated with recovery would be unjust and unreasonable." The Commission's decision was upheld by the Missouri Court of Appeals, Western District, on November 1, 1988.

In the spring of 1986, Governor John Ashcroft named a 20-member task force to review and recommend possible changes in state laws regarding the telecommunications industry. Commission Chairman William Steinmeier was named to head the task force. Through this committee's work, House Bill 360 was introduced and passed by the Missouri Legislature. On September 28, 1987, the first major revision of Chapter 392 since its enactment in 1913, took effect. The new statutory framework is designed to give the Commission the necessary flexibility to manage the transition of the telecommunications industry to a more competitive environment. The new law authorizes the Commission to relax regulation of telecommunications services where competitive market forces are operating to protect consumers from unfair prices. It also protects the provision of basic local tele-



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phone service as a non-competitive service provided under traditional regulation by the Commission.

In October of 1986, President Ronald Reagan signed into law the most significant overhaul of our income tax system since 1954. Within two weeks of the signing of the Tax Reform Act of 1986, the Commission initiated a proceeding to determine the impact of the new income tax structure upon public utilities in Missouri.

During 1987, the Missouri Public Service Commission reached an unprecedented accomplishment when it issued decisions which lowered utility rates by approximately \$451 million statewide. Of that total, approximately \$161 million reflected agreements reached among various parties to reduce rates to reflect savings associated with the Tax Reform Act of 1986. The balance reflected decisions reached based upon audits conducted primarily by the Public Service Commission Staff on various utility companies in Missouri.

During 1987, the Commission issued decisions which eliminated phase-in schedules for Union Electric and the Kansas City Power and Light Company as they related to previous Commission decisions in nuclear power plant cases. Union Electric's phase-in schedule was eliminated three years ahead of schedule, saving ratepayers approximately \$183.2 million in scheduled rate increases through 1990. In addition, phase-in increases totaling approximately \$90 million over a four year period from 1989 through 1992 were eliminated for customers of the Kansas City Power and Light Company. The phase-in elimination was the result of an agreement reached among several parties, including the PSC Staff and the Office of the Public Counsel.

In the wake of seven natural gas incidents in Missouri between October 30, 1988 and February of 1989, the Public Service Commission on February 24, 1989, issued an emergency rule which required all natural gas distribution companies and municipal system operators to conduct instrument leak survey tests on all unprotected customer owned and company owned steel service lines by July 1, 1989.

Those seven natural gas incidents resulted in five fatalities, 17 injuries and extensive property damage.

On May 1, 1989, the Commission proposed a major rewrite of its natural gas pipeline safety rules, designed to strengthen the gas safety program in Missouri.

The proposed permanent rules included an increase in the frequency of leak surveys of unprotected steel lines to require those lines be inspected annually; requiring replacement programs for unprotected steel service lines and yard lines; and requiring the development of a replacement program for cast iron mains.

After extensive summer hearings, the Commission adopted its proposed rules on November 9, 1989.

Throughout its history, the Missouri Public Service Commission has been called upon to reach many major decisions which effect all Missourians and the economic growth of our State. While the Commission's role has changed from regulating street cars in 1913 to the rapidly changing telecommunications environment of the 1980s, its charge during this period has remained the same. The Commission has maintained the role of ensuring customers receive safe and adequate service at just and reasonable rates while affording shareholders of the utility company an opportunity to earn a reasonable return on their investment.

*References:* Missouri Public Service Commission Annual Reports 1913-1988.

## Statement from the Commission

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### Fiscal Year 1990 from the Commissioners' perspective

The Missouri Public Service Commission has the statutory responsibility of ensuring that consumers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the utility companies' shareholders the opportunity to earn a reasonable return on their investment.

The Commission regulates utility rates, service and safety. Investor-owned electric, gas, telephone, sewer and water companies are under the Commission's regulatory jurisdiction. The Commission also monitors the construction of modular homes and recreational vehicles.

Although rates charged by rural electric cooperatives, telephone cooperatives and municipal governments are determined by their governing boards, the Commission has jurisdiction over the safety of services provided by rural electric cooperatives and municipally-operated natural gas systems. Other

utility services provided by municipal governments are exempt from Commission regulation.

#### Reorganization

Effective November 1, 1990, the Commission implemented a comprehensive agency reorganization. Based upon its internal management review, the Commission determined that the previous structure, which was in effect for ten years, had become obsolete given the drastic and fundamental changes which have and continue to occur in the telecommunications, gas, and electric industries.

The Commission's review examined current agency operations, structure, external developments affecting operations, the need for proactive policy development, and the need to implement internal strategic planning. As part of the review, an internal team of management specialists reviewed regulatory structures in other states, conducted numerous employee interviews, collated survey responses, and provided the Commission with a variety of primary and secondary management recommendations which the Commission has chosen to implement.

Key elements of the new organization structure are:

- a centralized administrative function;
- a formalized policy development function;
- consolidation of federal intervention activities;
- technical advisory support to the Commission;
- a more balanced distribution of staff and workload among the divisions; and
- a better balance of manager's span of control.

#### Natural Gas Pipeline Safety

On November 9, 1989, the Public Service Commission adopted a comprehensive rewrite of its natural gas pipeline safety rules in order to strengthen the gas safety program currently in force in Missouri. A number of these rules are significantly more stringent than current federal safety rules.

The adoption of the new rules and regulations followed an emergency rule issued by the PSC on February 24, 1989. That emergency rule required all gas corporations and municipal gas systems to immediately inspect unprotected steel service lines. The Commission determined that unprotected steel service lines constituted an immediate danger to the public health and safety, requiring the adoption of the emergency rule.

The issuance of an emergency rule came in the wake of seven natural gas incidents during the 1988-89 heating season. These explosions and fires resulted in five fatalities, 17 injuries and extensive property damage.

Leak surveys using sophisticated instruments were conducted by all investor-owned and municipally-



## Statement from the Commission

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operated gas systems under the PSC emergency rule. These gas operators discovered 26,380 natural gas leaks statewide, 11,865 of which were classified as hazardous leaks which required repair within two weeks of detection.

Based upon the results of the emergency rule, the Commission proposed a major revision to its natural gas pipeline safety rules and regulations. During the summer of 1989, hearings were conducted and on November 9, 1989, the Commission issued an order adopting permanent pipeline safety rules.

The new permanent rules adopted by the Commission include:

- increasing the frequency of leak surveys of unprotected steel lines to require those lines be inspected annually.
- requiring the use of the latest instrumental technologies for performing all leak surveys and prohibiting reliance on visual, vegetation surveys as the primary method of leak detection.
- requiring replacement programs for unprotected steel mains, service lines and yard lines.
- requiring the development of a replacement program for cast iron pipeline.
- establishing specific training requirements for company or contractor operations, maintenance and emergency response personnel.
- prohibiting the installation of new "customer-owned" service lines and yard lines.
- requiring gas operators accept leak survey, maintenance and replacement responsibility for all gas distribution facilities up to the wall of the customer's home, including "customer-owned" lines.

In addition, House Bill 938 was enacted by the 85th General Assembly which clarified and strengthened the

Commission's safety jurisdiction over municipally-operated natural gas systems.

### Stone and Webster Audit

During the 1990 fiscal year, the Commission received the Phase I gas safety audit report conducted on KPL Gas Service by Stone & Webster Management Consultants, Incorporated. The report stated KPL Gas Service was following management and safety practices that are widely used in the natural gas industry, but that many of those practices are no longer sufficient in today's environment of more intensive public and regulatory concern for public safety.

The Stone & Webster report stated, "KPL currently seems to be performing the most intensive leak survey procedures in the country." This is the result of recent changes in gas pipeline safety codes implemented by Kansas and Missouri regulators.

The consulting project is the result of a Governors' Gas Safety Summit held on April 10, 1989 by Missouri Governor John Ashcroft and Kansas Governor Mike Hayden. At that meeting, a number

of natural gas related issues were discussed including a joint effort by Missouri and Kansas to select a consultant to independently evaluate the natural gas procedures of KPL Gas Service.

The final report from Stone & Webster is expected to be issued during the summer of 1991.

### Extra-Exchange Telephone Calling

The Missouri Public Service Commission issued an order in late December, 1989, designed to ease the burden of high toll bills for telephone customers calling to a nearby exchange with which a "community of interest" has been demonstrated. Community Optional Service, or COS, gives qualifying customers pricing options from which to choose when calling to the requested exchange. These options replace toll charges to the requested exchange.

## Statement from the Commission

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Customers may choose a one-way flat rate option from the petitioning exchange to the requested exchange, or they may choose a two-way flat rate option which involves calls from both the petitioning exchange and the requested exchange. For those exchanges designated as metropolitan or who access to the metropolitan exchanges, a third option exists. This option provides for one-way service from the petitioning exchange to the requested exchange for a monthly rate of \$4.00 plus 50% of present toll rates.

Commission Chairman William D. Steinmeier stated that COS is "an important step toward redefining local telephone exchanges throughout the State based on changing demographics and new technology. COS achieves important equities in calling scopes and basic telephone costs around the State."

On May 4, 1990, the Commission

approved tariffs which implemented COS in 40 telephone exchanges in Missouri. At the same time, the Commission acted on requests filed by United Telephone Company, Contel and GTE North, Incorporated to add an interim surcharge to basic monthly telephone rates to pay for projected losses in revenue due to implementation of COS. In addition, the Commission acted on a request filed by the Southwestern Bell Telephone Company to raise certain directory-related services on an interim basis. These filings were the result of a Cole County Circuit Court ruling which directed the PSC to guarantee the companies revenue neutrality as COS was implemented. The surcharges were approved on an interim basis, subject to refund. These surcharges will remain in effect pending PSC Staff audits of the actual costs of COS implementation and further Commission review. The Commission also has established a task force to further examine the many complex issues arising from expanded area calling.

The Commission continues to receive petitions from customers seeking COS and several telephone companies in the

State are conducting calling usage studies to determine whether those exchanges qualify for COS.

In the next several months, the Commission will examine whether COS should be offered between area codes in Missouri. The December 29, 1989, COS decision was limited to intraLATA (basically within an area code) routes. The Commission specifically stated it would not address the issue of COS between area codes until that issue required resolution. Since the Commission's decision, customers have filed several petitions seeking COS between area codes.

### Telecommunications Reform

The federal court decision requiring AT&T to divest itself of the Bell Operating Companies and the decision of the Federal Communications Commission to introduce competition into many of the telecommunications markets has forced the Commission to reevaluate traditional methods for regulating telecommunications companies in the state.

During fiscal year 1990, the Commission issued an order which modified the traditional regulatory framework for regulating the long-distance telephone industry by permitting more market based pricing flexibility. As a result, AT&T will be permitted to adjust rates within a specified band of rates without filing a traditional rate case. Other long-distance carriers (i.e. MCI, U.S. Sprint and 37 other long-distance carriers) were classified as "competitive" and, as a result, the Commission will not regulate the rates charged by these carriers.

### Southwestern Bell Complaint Case Proceeding

The Missouri Public Service Commission, Southwestern Bell Telephone Company and the Office of the Public

## Statement from the Commission

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Counsel reached an agreement on September 26, 1989, which was designed to end Southwestern Bell's appeal of a June 20, 1989, order issued by the PSC reducing Southwestern Bell's annual revenues by approximately \$101 million. That June order resulted from a complaint case brought against the State's largest telephone company by the Commission Staff and the Office of the Public Counsel.

The September agreement called for Southwestern Bell to reduce annual telephone revenues by approximately \$82 million. The agreement called for a rate case moratorium through 1992 as well as a company commitment to an accelerated telephone network modernization plan for Southwestern Bell exchanges.

As a result of the agreement, all of the Company's electromechanical switches will be replaced with state-of-the-art digital switches by 1992. In addition, telephone wiring between central offices in the Southwestern Bell system will be replaced with fiber optic cable by 1992. Multi-party service will be eliminated by 1997.

As part of the settlement, the Commission also recognized that as more of Southwestern Bell's regulated services become subject to competition, the Company should have additional incentives to increase its operating efficiency and effectively compete. As a result, a three year experimental incentive plan was developed under which the Company will be allowed to keep all earnings up to a 14.1 percent return on equity. If the Company earns more than 14.1 percent, it will share any excess over 14.1 percent with its customers in the form of a bill credit.

### Alternative Operator Services (AOS)

Last session, the General Assembly passed House Bill 1315 which, among other things, clarifies the Commissions' authority over Alternative Operator Services (AOS) companies operating within the state. AOS companies most often provide long distance telephone service through pay phones and telephones located in hotels, motels, airports, hospitals, universities and other similar locations.

Under this new law, the Commission is granted rate and rulemaking authority to ensure that the rates and practices of AOS companies are just and reasonable. Rates charged by AOS companies are presumed to be reasonable if they are no higher than those charged by other non-AOS interexchange carriers. The practice of "call blocking" also has been prohibited by the statute.

### Unregulated Cooperatives

The Missouri Public Service Commission issued a number of decisions in April of 1990 which denied requests filed by several unregulated electric cooperatives to form regulated subsidiary service companies.

The Commission determined based upon the evidence that the applicant service companies had failed to show there was a public need for the service, that granting their requests would be a duplication of existing services, and that the service companies did not prove they had adequate financing to operate as regulated utilities. In addition, the Commission expressed concern over whether the service companies could be effectively regulated given their close corporate relationship with their unregulated parent cooperatives. In related cases, the Commission clarified the service territories of two regulated investor-owned companies Union Electric Company and St. Joseph Light and Power Company.

Pursuant to new statutes enacted during the last two sessions of the General Assembly, the Commission has approved service area territorial agreements filed by municipally-owned

## Statement from the Commission

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electric utilities and rural electric cooperatives.

### **Federal Participation**

As in the past, the Missouri Public Service Commission continues its active participation in issues before federal agencies. Commissioners and Commission Staff continue to represent Missouri ratepayers before the Federal Communications Commission (FCC) on telecommunications issues and the Federal Energy Regulatory Commission (FERC) on natural gas and electric issues. As federal regulators are increasingly making decisions which directly impact Missouri ratepayers, the Missouri Commission has stepped up its federal intervention activities.

### **Public Awareness**

The Commission also continues its obligation toward helping Missourians understand the regulatory process. The Commission has developed a program designed to educate high school students as well as the general public on utility regulation. The Commission's Consumer Services Department, with offices in Jefferson City, St. Louis and Kansas City, continues to provide direct assistance to utility customers on a variety of customer inquiries and complaints.

### **Conclusion**

The Missouri Public Service Commission continues to review its regulatory policies to ensure that the broad public interest is promoted and protected. It remains the responsibility of the Commission to ensure that consumers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the companies' shareholders the opportunity to earn a reasonable return on their investment.



## Commission Resources

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### Current Commissioners and Biographies



**William D. Steinmeier**

**Chairman**

Mr. Steinmeier, an attorney, was first appointed Chairman of the Missouri Public Service Commission by Governor Christopher S. Bond on January 26, 1984, to complete an unexpired term. He was reappointed to a full six year term on April 15, 1985, by Governor John Ashcroft.

He is Second Vice President of the National Association of Regulatory Utility Commissioners (NARUC), and a member of the NARUC Executive Committee and Electricity Committee. He serves on the Administrative Law Committee of the Missouri Bar, the NARUC-Edison Electric Institute Task Force on Electricity Issues and the Acid Rain Advisory Council to the U.S. Environmental Protection Agency.

Mr. Steinmeier received his JD degree from the University of Missouri-Columbia Law School in 1975, and his BA in Political Science from Wheaton College, Wheaton, Illinois, in 1972.

Mr. Steinmeier and his wife, Rebecca, have five children.

Chairman Steinmeier's term expires on April 15, 1991.



**David L. Rauch**

Mr. Rauch, a former member of the Missouri House of Representatives, was appointed to the Missouri Public Service Commission by Governor John Ashcroft on March 23, 1989.

Mr. Rauch had served in the Missouri General Assembly since 1979. As a legislator, he was Chairman of the Property Equalization and Classification Committee of the Missouri House of Representatives, and was a recipient of the St. Louis Globe-Democrat meritorious public service award for his efforts toward property tax reform in Missouri.

He is currently serving on the NARUC Committee on Water.

Mr. Rauch received his BA in History from Drury College. He also holds a Masters in Divinity from Andover Newton Theological School.

Mr. Rauch and his wife, Christine, have four children.

Commissioner Rauch's term expires on April 15, 1993.



## Commission Resources

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**Allan G. Mueller**

Mr. Mueller, a former member of the Missouri Senate and House of Representatives, was appointed to the Missouri Public Service Commission by Governor Christopher S. Bond on July 11, 1983. Commissioner Mueller was reappointed and confirmed by the Missouri Senate to a second six year term in July of 1989.

He is currently serving on the NARUC Committee on Energy Conservation.

Mr. Mueller received his BS degree in Business Administration from St. Mary's University in San Antonio, Texas, in 1965.

Mr. Mueller and his wife, Carol, have four children.

Commissioner Mueller's term expires on April 15, 1995.



**Kenneth McClure**

Mr. McClure, a former deputy director/administration with the Missouri Department of Economic Development and staff director of the Missouri Senate Appropriations Committee, was appointed to the Missouri Public Service Commission by Governor John Ashcroft on January 3, 1990, to replace James Fischer who resigned.

Mr. McClure is currently serving on the NARUC Committee on Finance and Technology.

Mr. McClure received his BA degree from Southwest Missouri State University in 1972 and his MA degree from the University of Missouri-Columbia in 1974.

Mr. McClure and his wife, Joey, have two children.

Commissioner McClure's term expires on April 15, 1991.



**Ruby Letsch-Roderique**

Ms. Letsch-Roderique, a former branch manager of Kelly Services, Inc., in Springfield, Missouri, was appointed to the Missouri Public Service Commission on January 3, 1990, by Governor John Ashcroft. Ms. Letsch-Roderique replaced Connie Hendren whose term expired.

Commissioner Letsch-Roderique is currently serving on the Administrative Committee at NARUC.

Ms. Letsch-Roderique holds an honorary doctorate in business administration from Southwest Baptist University and is a certified personnel consultant. She previously was president and general manager of Meadowmere Employment Agency, Inc.

Ms. Letsch-Roderique and her husband, Hamlin, reside in Holts Summit, Missouri.

Commissioner Letsch-Roderique's term expires on April 15, 1995.

## Commission Resources

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### Key Personnel

William Steinmeier, Chairman .....	751-4132
David Rauch, Vice-Chairman .....	751-2690
Allan Mueller, Commissioner .....	751-3243
Ken McClure, Commissioner .....	751-4221
Ruby Letsch-Roderique, Commissioner .....	751-3233
Brent Stewart, Interim Executive Secretary .....	751-5246

### ADMINISTRATION DIVISION

Dan Ross, Interim Director .....	751-7492
Mike Broker, Personnel Director .....	751-5606
Jim Phillips, Manager - Mobile Homes .....	751-7119
Kevin Kelly, Information Officer .....	751-9300
Lawson Phaby, Reporter of Opinions .....	751-5472
Dan Redel, Internal Accounting .....	751-2457

### HEARING EXAMINERS DIVISION

Cecil Wright, Chief Hearing Examiner .....	751-7497
Barb Skalla, Chief Court Reporter .....	751-4255
Judy Fritsch, Manager - Records .....	751-7496

### POLICY AND PLANNING DIVISION

Gordon Persinger, Director .....	751-7491
Bill Washburn, Manager - Policy and Federal Affairs Department .....	751-7505
Mike Proctor, Manager - Research and Planning .....	751-7518
Art Wimberley, Manager - Management Services .....	751-7439

### GENERAL COUNSEL

Mary Ann Young, General Counsel .....	751-7485
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### UTILITY OPERATIONS DIVISION

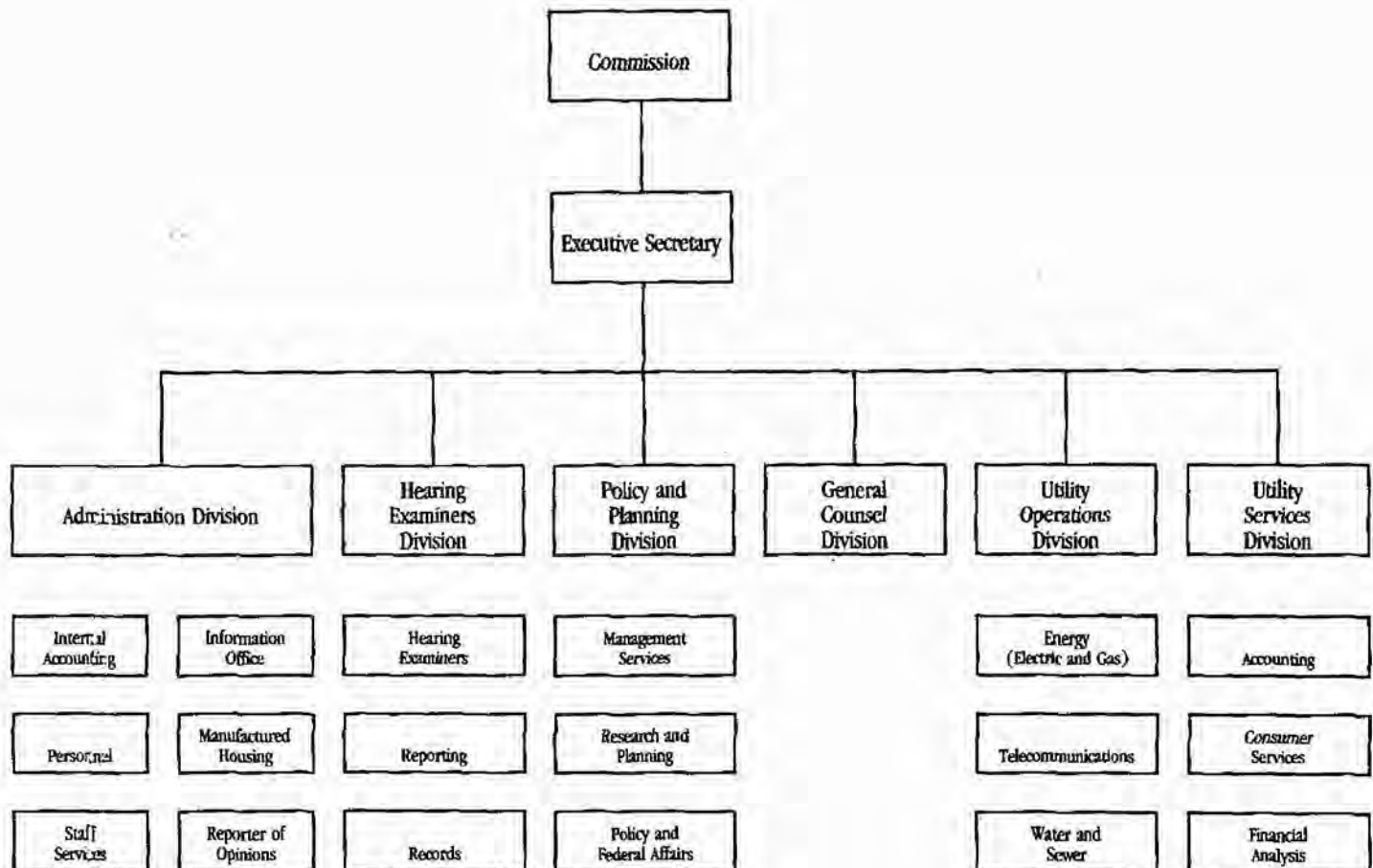
Sam Goldammer, Interim Director .....	751-2508
Bo Natisziw, Manager - Energy Department .....	751-2152
Bill Sankpill, Manager - Water and Sewer Department .....	751-7074

### UTILITY OPERATIONS DIVISION

Dale Johansen, Interim Director .....	751-7487
David Winter, Assistant to the Director .....	751-5392
Jay Moore, Manager - Financial Analysis .....	751-8517
Janet Hoerschgen, Manager - Consumer Services .....	751-3160
Mark Oligschlaeger, Manager - Accounting .....	751-7443

# Commission Resources

## Missouri Public Service Commission Organizational Chart (Effective November 1, 1990)



## Commission Resources

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### Budget

	FY 1989	FY 1990	FY 1991
<b>EXECUTIVE DIVISION</b>			
Personal Service	\$ 853,587	\$ 911,222	\$ 938,208
Expense and Equipment	129,277	129,277	129,277
F.T.E.	25.00	25.00	25.00
<b>OFFICE OF THE SECRETARY</b>			
Personal Service	\$ 372,365	\$ 394,083	\$ 407,072
Expense and Equipment	312,836	285,836	320,936
F.T.E.	16.00	16.00	16.00
<b>GENERAL COUNSEL</b>			
Personal Service	\$ 483,059	\$ 512,520	\$ 523,051
Expense and Equipment	93,543	103,543	103,543
F.T.E.	17.75	18.00	18.00
<b>UTILITY DIVISION</b>			
Personal Service	\$ 3,633,354	\$ 3,945,284	\$ 4,112,734
Expense and Equipment	1,170,713	1,231,047	1,237,985
F.T.E.	123.00	126.00	127.00
<b>MANUFACTURED HOUSING</b>			
Personal Service	\$ 143,082	\$ 155,340	\$ 157,825
Expense and Equipment	27,279	27,279	92,248
F.T.E.	6.00	6.00	6.00
<b>TOTALS</b>			
Personal Service	\$ 5,485,447	\$ 5,918,449	\$ 6,138,890
Expense and Equipment	1,733,648	1,776,982	1,883,989
Total	<u>\$ 7,219,095</u>	<u>\$ 7,695,431</u>	<u>\$ 8,022,879</u>
F.T.E.	<u>187.75</u>	<u>191.00</u>	<u>192.00</u>

## Regulatory Activities

### Year-at-a-Glance

July 1989	7	Missouri Governor John Ashcroft appoints Commissioner Allan G. Mueller to a second six year term.
August	1	PSC approves application filed by the Missouri Pipeline Company which provides for the first intrastate natural gas pipeline in Missouri.
	11	Stone & Webster Management Consultants, Incorporated is selected to conduct a comprehensive analysis of the natural gas safety programs and procedures of KPL Gas Service.
	16	PSC begins hearings on proposed changes to current natural gas pipeline safety rules. In May of 1989, the Commission proposed a major rewrite of its natural gas pipeline safety rules designed to strengthen the gas pipeline safety program currently in force in Missouri.
	16	New London Telephone Company files \$114,000 telephone rate case with PSC.
	23	Chairman William D. Steinmeier addresses the 76th annual Missouri Telephone Association meeting. Steinmeier stresses ethics and truth-in-advertising in an increasingly competitive telecommunications environment.
	29	KPL Gas Service files \$25.6 million natural gas rate case with PSC.
September	1	Empire District Electric Company files \$188,000 water rate case with PSC.
	12	PSC conducts local public hearings to receive public comment on proposed extra-exchange calling plans in Missouri.
	15	PSC issues decision which changes the regulatory framework for long-distance telephone pricing for those calls which originate and terminate in Missouri. Long-distance carriers are given more pricing flexibility.
	26	PSC, Southwestern Bell and the Office of the Public Counsel reach an agreement which results in an \$82 million rate reduction, a rate moratorium through 1992 and telephone modernization for customers of Southwestern Bell. This agreement also adopts an experimental incentive regulation plan for Southwestern Bell.
October	2	PSC Staff files complaint case against GTE North, Incorporated seeking to reduce annual telephone rates in the range of \$2.8 to \$3.6 million. GTE filed an \$8.3 million rate request with the PSC on March 23, 1989.
	4	PSC approves stipulated agreement which authorizes the Missouri Cities Water Company to increase annual water and sewer rates by approximately \$900,000.
	19	PSC issues order stating take-or-pay charges, approved by the Federal Energy Regulatory Commission (FERC), and passed from the wholesale supplier to the local natural gas company, are a cost of gas to the local natural gas company and should be recouped from ratepayers through the local company's Purchased Gas Adjustment (PGA) clause.
November	3	PSC approves tariffs which authorize Union Electric to offer an electric economic development rate to new or expanding industrial and commercial customers.
	9	PSC adopts a major rewrite of its natural gas pipeline safety rules, designed to strengthen the gas safety program currently in force in Missouri.



## Regulatory Activities

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|--------------|----|---|
|              | 17 | Missouri Public Service files \$25.5 million electric rate case with PSC.   |
|              | 21 | PSC approves application filed by United Cities Gas Company seeking to acquire Union Gas System, Incorporated.  |
| December     | 12 | PSC approves \$17.4 million rate reduction for AT&T.  |
|              | 15 | Laclede Gas Company files \$26.9 million natural gas rate case with PSC.  |
|              | 15 | Capital City Water Company files \$516,000 water rate case with PSC.  |
|              | 29 | PSC approves a new extra-exchange calling plan in Missouri called Community Optional Service (COS). COS is designed to ease the burden of high toll bills for telephone customers calling to a nearby exchange and demonstrating a sufficient community of interest.                                |
|              | 29 | PSC approves the sale of Kansas City Power and Light's downtown Kansas City steam system to Trigen-Kansas City District Energy Corporation.   |
|              | 29 | Empire District Electric Company files \$8.2 million electric rate case with PSC.   |
| January 1990 | 3  | Missouri Governor John Ashcroft appoints Ruby Letsch and Ken McClure to serve on the Public Service Commission. Ms. Letsch replaces Connie Hendren whose term expired. Mr. McClure replaces James Fischer who resigned in December, 1989.   |
|              | 10 | PSC approves agreement which authorizes the New London Telephone Company to increase annual telephone revenues by approximately \$100,000.  |
|              | 22 | Associated Natural Gas Company files \$3.3 million natural gas rate case with PSC.  |
| February     | 9  | PSC issues decision which authorizes GTE North, Incorporated to increase annual telephone rates by approximately \$849,000. GTE sought an increase of approximately \$8.3 million.  |
|              | 13 | PSC finds KPL Gas Service in violation of rules and regulations in connection with a natural gas incident at Longview Road in Kansas City, Missouri, on December 5, 1988. Commission determines KPL Gas Service should pay a penalty of \$114,000.  |
|              | 16 | Missouri Public Service files \$4.7 million natural gas rate case with PSC.   |
|              | 23 | PSC approves agreement which authorizes the Fidelity Telephone Company and the Bourbeuse Telephone Company to reduce annual telephone rates by approximately \$500,000.   |
| March        | 13 | PSC approves application which calls for the deregulation of the propane rates and charges of O'Fallon Gas Service, Incorporated.   |
|              | 15 | Chairman William D. Steinmeier testifies before a Federal Communications Commission (FCC) regional hearing in St. Louis, Missouri. Steinmeier urges the re-regulation of the cable television industry as well as allowing local exchange telephone companies to provide cable television services. |
|              | 21 | Fifth and final year of Arkansas Power and Light phase-in of Grand Gulf nuclear power plant costs takes effect.   |
|              | 28 | PSC approves agreement which authorizes the Empire District Electric Company to increase annual water rates by approximately \$148,000.   |

## Regulatory Activities

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|-------|----|---|
| April | 10 | Stone & Webster Management Consultants, Incorporated releases Phase I report regarding the gas safety audit conducted on KPL Gas Service.   |
|       | 27 | PSC approves agreement which authorizes KPL Gas Service to increase annual natural gas rates by approximately \$18.5 million. Company sought \$25.6 million.  |
|       | 27 | PSC issues decision which authorizes the St. Louis County Water Company to increase annual water rates by approximately \$3.6 million. Company sought \$10.2 million.   |
|       | 27 | PSC issues several decisions which deny requests filed by several unregulated electric cooperatives seeking to form regulated subsidiary service companies and which approve applications filed by Union Electric Company and St. Joseph Light & Power to clarify their existing service areas. |
| May   | 1  | PSC approves application which authorizes Arkansas Power and Light to sell its interest in Independence Unit 2 and Ritchie 2 to a subsidiary of Entergy Corporation.  |
|       | 9  | Community Optional Service (COS) implementation begins in 40 exchanges in Missouri. Interim rates are approved for Southwestern Bell, GTE North, Incorporated, United Telephone and Continental to recover projected revenue losses associated with implementation of COS.                      |
|       | 11 | PSC issues decision which authorizes the Missouri-American Water Company to increase water rates by approximately \$1 million. Company sought \$1.8 million.  |
| June  | 17 | Missouri hosts the 1990 Mid-America Regulatory Conference (MARC) in St. Louis, Missouri. Missouri PSC Chairman William D. Steinmeier is current President of MARC.  |

## Regulatory Activities

### Electric Rate Cases Decided During Fiscal Year 1990

Date of Order	Case No.	Company	Company Requested	%	PSC Decision	%
3/21/90	ER-85-265	Arkansas Power & Light Co.	\$ 17,178,000	46.9%	\$1,400,000	3.2% (1)

(1) Grand Gulf plant increase—5th year.

### Natural Gas Rate Cases Decided During Fiscal Year 1990

Date of Order	Case No.	Company	Company Decision	%	PSC Granted	%
4/27/90	GR-90-50	KPL Gas Service	\$25,600,000	6.8%	\$ 18,500,000	6.1%

### Telephone Rate Cases Decided During Fiscal Year 1990

Date of Order	Case No.	Company	Company Sought	PSC Decision	Customer Effect*
9/26/89	TC-89-14	Southwestern Bell	Complaint Case	(\$ 82,000,000) (1)	(a)
12/12/89	—	AT&T	—	(\$ 17,400,000) (2)	(b)
1/10/90	TR-90-34	New London Telephone Co.	\$ 114,000	\$ 100,000	(c)
2/9/90	TR-89-182	GTE North, Inc.	\$8,300,000	\$ 849,000	(d)
2/23/90	TR-89-159	Fidelity Telephone Co.	—	(\$ 500,000) (3)	(e)
	&	and			
	TR-89-160	Bourbeuse Telephone Co.			

\*Amount of monthly increase or decrease to a one-party residential customer.

(1) PSC Staff filed a complaint case against Southwestern Bell. On June 20, 1989, the Commission ordered Southwestern Bell to reduce annual telephone revenues by approximately \$101 million. As a result of the Commission's decision, Southwestern Bell sought and received a stay of the order. On September 26, 1989, the Public Service Commission, Southwestern Bell and the Office of the Public Counsel reached an agreement which reduced Southwestern Bell's annual revenues by approximately \$82 million.

(2) AT&T passed on to its customers savings associated with lower access charges.

(3) Rate reduction resulting from PSC Staff audit. Case also included refunds totaling \$200,000.

(4) Rate reduction resulting from PSC Staff audit.

(a) Long distance rates, touch tone rates and mileage charges were reduced as were service connection charges.

(b) The effect on the customer would depend upon the time of day, distance of the call and duration of the call.

(c) \$8.45 a month.

(d) Customer effect ranged from no increase to an increase of 40¢ a month.

(e) Customer effect ranged from a reduction of 25¢ to 75¢ a month.

## Regulatory Activities

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### Water and Sewer Rate Cases Decided During Fiscal Year 1990

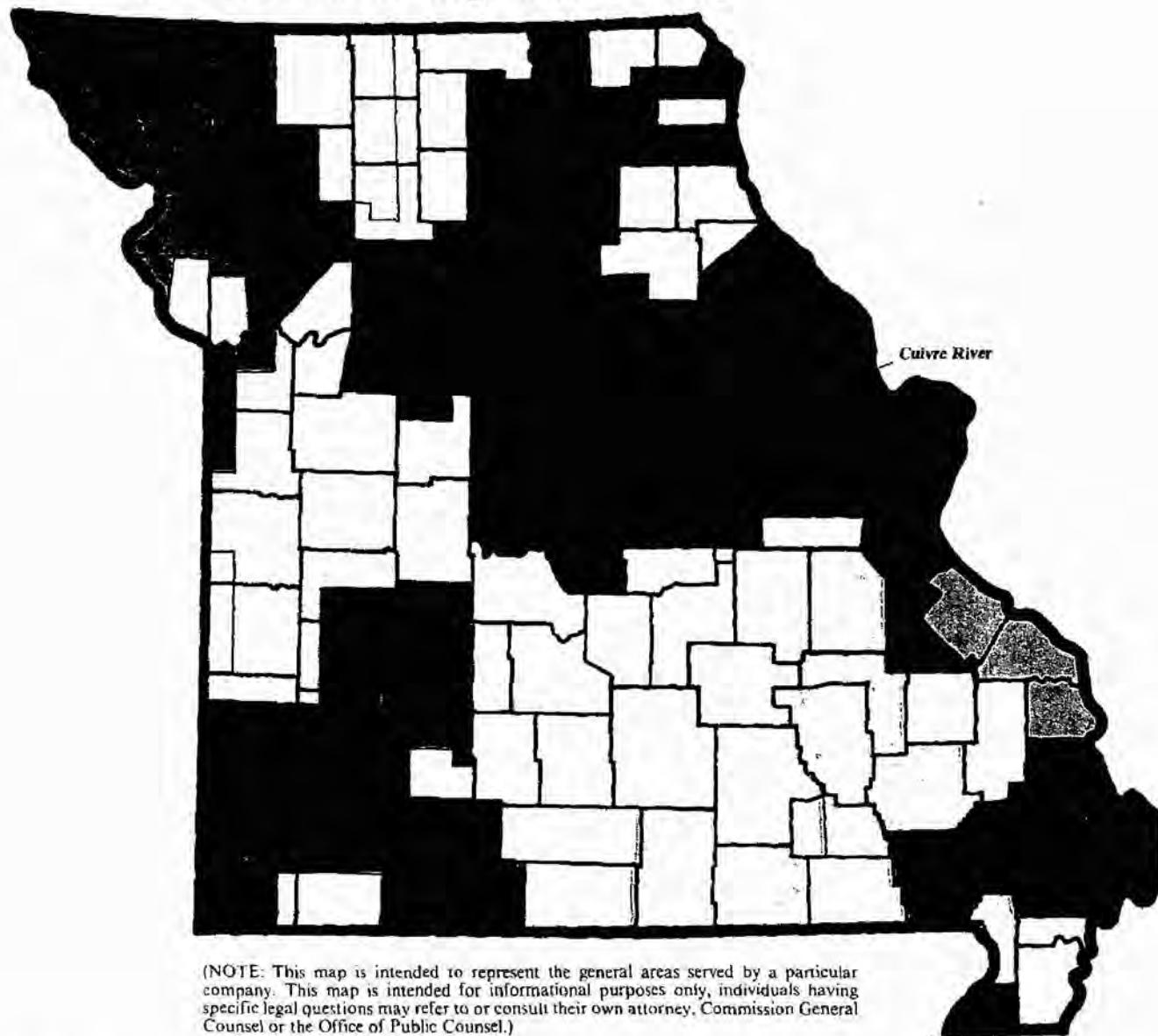
Date of Order	Case No.	Company	Company Requested	%	PSC Granted	%
10/6/89	WR-89-178	Mo. Cities Water Co.	\$ 1,097,233	32.0%	\$ 893,650	12.7%
10/6/89	SR-89-179	Mo. Cities Water Co.	\$ 6,350	21.5%	\$ 6,350	21.5%
4/9/90	WR-90-56	Empire District Electric	\$ 188,261	29.4%	\$ 148,115	22.7%
5/4/90	WR-89-246	St. Louis County Water Co.	\$10,242,496	17.5%	\$3,624,225	6.0%
5/26/90	WR-89-265	Mo. American Water Co.	\$ 1,824,700	18.3%	\$1,063,339	10.3%





#### Informal Rate Cases




Date of Order	Case No.	Company	Decision
3-1-90	9000003	English Village Sewer Service	Case Settled
7-20-89	9000020	I.H. Utilities, Inc.	Interim Rates
8-24-89	9000029	Shepard of the Hills Sewer Co.	Withdrawn
1-1-90	9000046	LTA Water Co.	Case Settled
—	9000143	PIHI Investment Co. (Water)	Withdrawn
—	9000144	PIHI Investment Co. (Sewer)	Withdrawn
3-1-90	9000155	Frimel Water Co.	Case Settled
5-1-90	9000161	Rocky Ridge Ranch Utilities	Case Settled
—	9000163	Gladlo Water & Sewer Co.	Withdrawn
—	9000209	Port Perry Service Co.	Change to Meter Rate
3-1-90	9000067	I.H. Utilities Inc.	Case Settled
4-1-90	9000324	Raytown Water Co.	Case Settled
—	9000329	Cassidy Water Co.	Interim Rates
—	900341	Hillcrest Utilities (Water)	Pending
—	900342	Hillcrest Utilities (Sewer)	Pending
6-4-90	9000424	Whispering Hills Water System	Interim Rates
7-4-90	9000429	Raytown Water Co.	Case Settled
—	9000432	Aren Corp. (Argyle Estates Water)	Pending
—	9000458	House Springs Sewer Co.	Pending

## Maps and Statistics

### Electric Service Areas of Regulated Utilities



-  ARKANSAS POWER & LIGHT CO.
-  CITIZENS ELECTRIC CO.
-  EMPIRE DISTRIC ELECTRIC CO.
-  KANSAS CITY POWER & LIGHT CO.

-  MISSOURI PUBLIC SERVICE
-  ST. JOSEPH LIGHT & POWER CO.
-  UNION ELECTRIC CO.



## Maps and Statistics

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### Calendar Year 1989 Electric Utilities' Statistics (Missouri Jurisdictional)

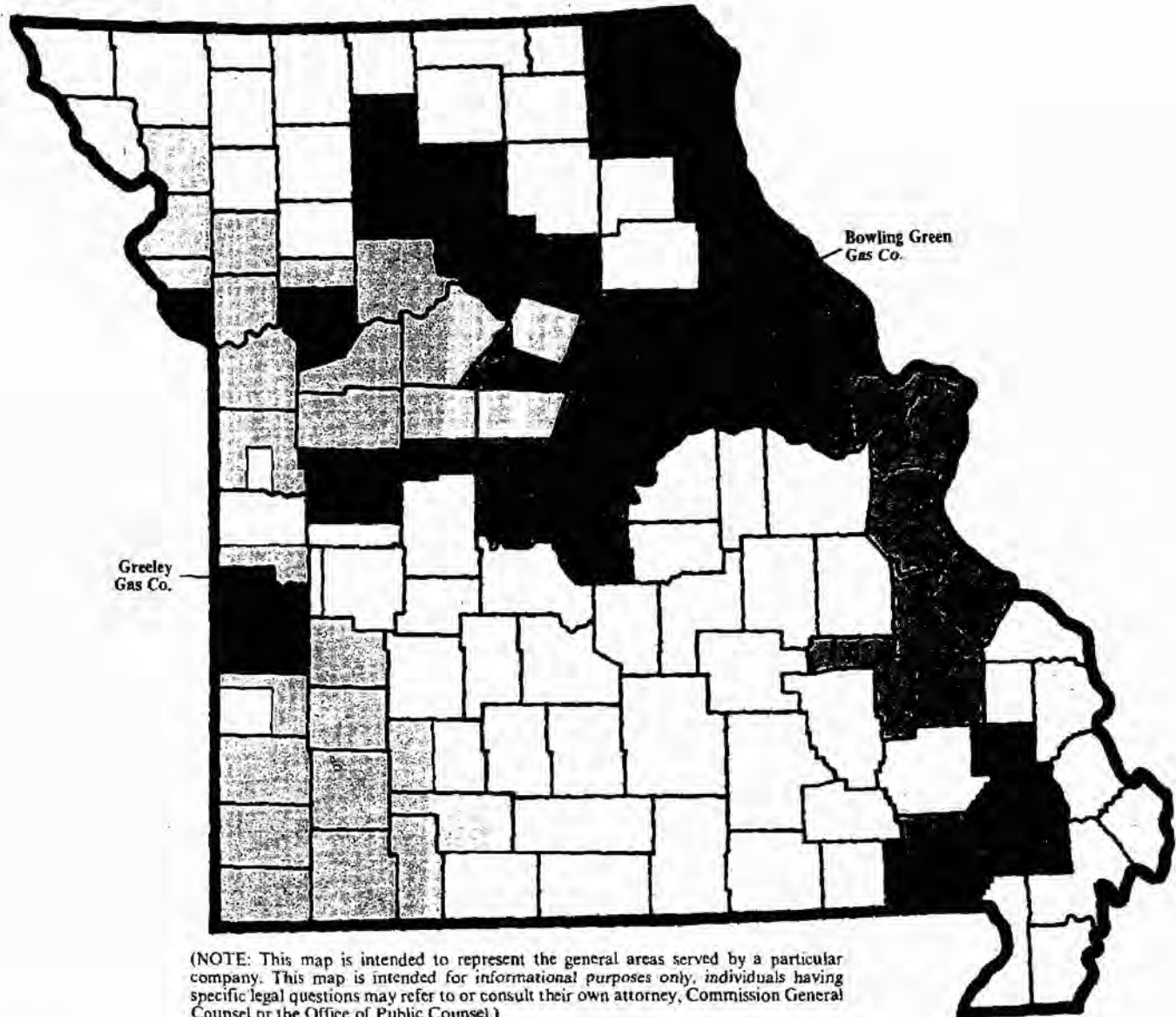
Name of Company	MWH's Sold 1989	Total Operating Revenues 1989	Total Number Residential Customers	Total Number of Customers
Arkansas Power & Light Company	698,961	\$ 47,467,233	24,031	27,947
Citizens Electric Corporation	546,873	29,924,857	17,076	18,839
Cuivre River Electric Service Company	63,357	4,303,698	3,200	3,279
Empire District Electric	2,142,170	101,138,993	81,731	97,110
Kansas City Power & Light	6,813,508	479,802,696	217,537	249,195
Missouri Public Service	3,033,951	193,941,857	140,990	161,484
Sho-Me Power Corporation*	2,231,289	90,617,692	0	27
St. Joseph Light & Power	1,305,204	67,713,211	51,860	58,501
Union Electric Company	23,878,759	1,632,373,563	870,798	986,737
TOTALS:	40,714,072	\$ 2,647,283,800	1,407,223	1,603,119





Source: 1989 Annual Reports  
(Mo. Jurisdictional)




\*Includes Wholesale Customers

## Maps and Statistics

### Gas Service Areas of Regulated Utilities



-  ASSOCIATED NATURAL GAS CO.
-  KPL GAS SERVICE
-  LACLEDE GAS CO.
-  MISSOURI PUBLIC SERVICE

-  ST. JOSEPH LIGHT AND POWER CO.
-  UNION ELECTRIC CO.
-  UNITED CITIES GAS CO.

## Maps and Statistics

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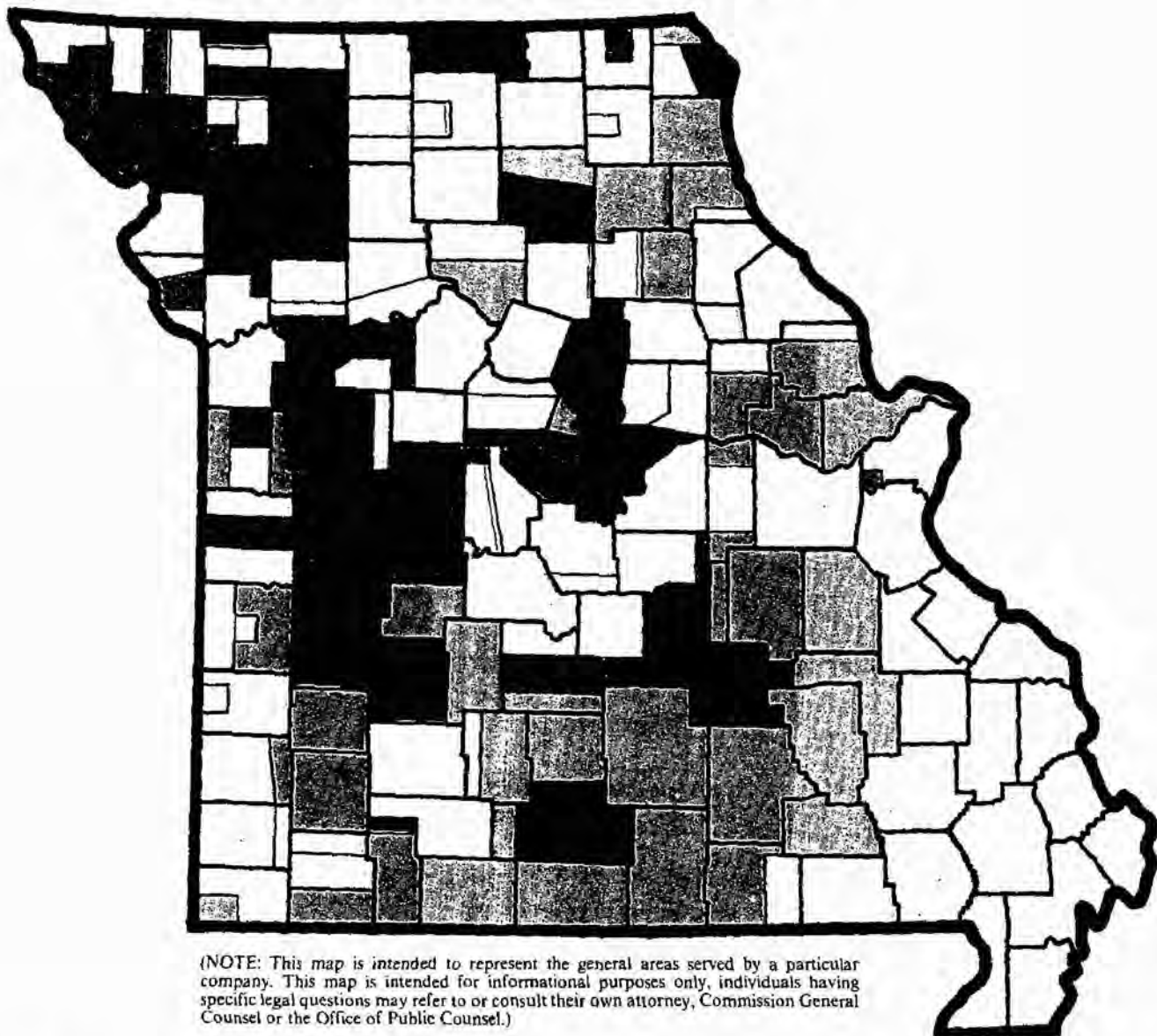
### Calendar Year 1989 Natural Gas Utilities' Statistics (Missouri Jurisdictional)

Name of Company	MCF's Sold 1989	Total Operating Revenues 1989	Total Number Residential Customers	Total Number of Customers
Associated Natural Gas Company	6,993,555	\$ 32,359,217	37,339	42,602
Bowling Green Gas Company	167,006	848,620	1,104	1,322
Greeley Gas Company ( <i>Pick Hill Home</i> )	56,764	369,168	495	562
KPL Gas Service	68,517,751	274,494,637	406,601	440,633
Laclede Gas Company	101,074,920	490,231,387	549,036	585,229
Missouri Public Service	5,485,848	29,285,732	35,636	39,719
St. Joseph Light & Power	951,433	4,870,733	5,292	6,123
Union Electric Company	12,244,273	64,363,700	82,693	92,812
United Cities Gas Company	1,703,669	8,200,212	11,157	12,517
TOTALS:	197,195,219	\$905,023,406	1,129,353	1,221,519

## Maps and Statistics

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### Telephone Service Areas of Regulated Utilities



(NOTE: This map is intended to represent the general areas served by a particular company. This map is intended for informational purposes only, individuals having specific legal questions may refer to or consult their own attorney, Commission General Counsel or the Office of Public Counsel.)



ALLTEL SERVICE CORP.  
CONTEL SYSTEMS OF MISSOURI  
GTE INC.  
MISSOURI TELEPHONE CO.



SOUTHWESTERN BELL TELEPHONE CO.  
UNITED TELEPHONE CO.

## Maps and Statistics

### Other Telephone Companies and Counties They Serve

Mark Twain Rural Telephone Company  
Adair, Clark, Knox, Schuyler, Shelby,  
Lewis, Marion, and Scotland Counties

Citizens Telephone Company  
Lafayette County

Northeast Missouri Telephone Company  
Adair, Clark, Knox, Linn, Macon,  
Putnam, Schuyler, Scotland, and Sullivan  
Counties

Kingdom Telephone Company  
Callaway and Montgomery Counties

Mid-Missouri Telephone Company  
Cooper, Moniteau, and Saline Counties

Steelville Telephone Company  
Crawford, Washington and Iron Counties

Green Hills Telephone Corporation  
Caldwell, Carroll, Daviess, Livingston,  
and Ray Counties

McDonald County Telephone Company  
McDonald County

Granby Telephone Company  
Newton County

Eastern Missouri Telephone Company  
Montgomery, Audrain, Lincoln, and Pike  
Counties

Chariton Valley  
Linn, Chariton, and Macon Counties

Seneca Telephone Company  
Newton and McDonald Counties

Craw-Kan Telephone Company  
Bates and Jasper Counties

Rock Port Telephone Company  
Atchison County

Bourbeuse Telephone Company  
Franklin and Gasconade Counties

Goodman Telephone Company  
McDonald County

Ellington Telephone Company  
Reynolds County

K.I.M. Telephone Company  
Vernon and Bates Counties

Iamo Telephone Company  
Atchison and Nodaway Counties

Oregon Farmers Mutual Telephone Company  
Holt County

Lathrop Telephone Company  
Clinton County

Orchard Farm Telephone Company  
St. Charles County

Le-Ru Telephone Company  
Newton and McDonald Counties

Grand River Mutual Telephone Corporation  
Daviess, Gentry, Grundy, Harrison, Linn,  
Livingston, Mercer, Nodaway, Putnam,  
Sullivan, and Worth Counties

Miller Telephone Company  
Lawrence County

Stoutland Telephone Company  
Camden and Laclede Counties

New London Telephone Company  
Ralls County

Holway Telephone Company  
Holt and Nodaway Counties

Mo-Kan Telephone Company  
Cass County

Continental of Arkansas  
Barry and McDonald Counties

Choctaw Telephone Company  
Lawrence and Greene Counties

Wheeling Telephone Company  
Livingston County

New Florence Telephone Company  
Montgomery County

Alma Telephone Company  
Lafayette County

Peace Valley Telephone Company  
Howell County

Farber Telephone Company  
Audrain County

Continental Telephone Company of Iowa  
Clark County

Fidelity Telephone Company  
Gasconade and Franklin Counties

(NOTE: Companies serve all or parts of the counties listed. This is for informational purposes only, individuals having specific legal questions may refer to or consult their own attorney, Commission General Counsel or the Office of Public Counsel.)



## Maps and Statistics

### Missouri Jurisdictional Telephone Companies by Access Lines

Company	No. of Access Lines
1. Southwestern Bell Telephone Company, St. Louis	1,940,059
2. United Telephone Company, Jefferson City	173,816
3. Continental Telephone Company, Wentzville	159,458
4. General Telephone Company, Columbia	99,286
5. Contel Systems of Missouri, Inc., Wentzville	40,878
6. ALLTEL Service Corporation, Little Rock, Ark.	27,677
7. Missouri Telephone Company, Bolivar	15,524
8. Grand River Mutual Telephone Corporation, Princeton	12,549
9. Fidelity Telephone Company, Sullivan	10,068
10. Chariton Valley Telephone Company, Bucklin	6,853
11. Kansas State Telephone Co. (d/b/a Contel of Eastern Mo.) Wentzville	6,404
12. Mark Twain Rural Telephone Company, Hurdland	3,677
13. Kingdom Telephone Company, Auxvasse	3,526
14. Citizens Telephone Company, Higginsville	3,459
15. Steelville Telephone Company, Steelville	3,378
16. Northeast Missouri Rural Telephone Company, Green City	3,368
17. Mid-Missouri Telephone Company, Pilot Grove	3,047
18. Green Hills Telephone Company, Breckenridge	2,726
19. Eastern Missouri Telephone Company, Bowling Green	2,484
20. McDonald County Telephone Company, Pineville	2,236
21. Granby Telephone Company, Granby	2,184
22. Seneca Telephone Company, Seneca	2,059
23. Craw-Kan Telephone Company, Girard, Kansas	1,952
24. Bourbeuse Telephone Company, Sullivan	1,675
25. Rock Port Telephone Company, Rock Port	1,527
26. Goodman Telephone Company, Goodman	1,450
27. Ellington Telephone Company, Ellington	1,447
28. KLM Telephone Company, Rich Hill	1,371
29. Lathrop Telephone Company, Princeton	1,101
30. Iamo Telephone Company, Coin, Iowa	1,082
31. Le-Ru Telephone Company, Stella	993
32. Oregon Farmers Mutual Telephone Company, Oregon	990
33. Stoutland Telephone Company, Stoutland	916
34. Miller Telephone Company, Miller	883
35. New London Telephone Company, New London	816
36. Orchard Farm Telephone Company, St. Charles	759
37. Mo-Kan Dial, Inc., Lewisburg, Kansas	601
38. Holway Telephone Company, Maitland	568
39. Continental of Arkansas, St. Louis	529
40. Choctaw Telephone Company, Halltown	413
41. New Florence Telephone Company, New Florence	369
42. Peace Valley Telephone Company, Peace Valley	339
43. Wheeling Telephone Company, Breckenridge	331
44. Alma Telephone Company, Alma	327
45. Farber Telephone Company, Farber	208
46. Continental Telephone Company of Iowa, St. Louis	71
Total Access Lines in Missouri	2,545,434

## Maps and Statistics

### Calendar Year 1989 Sewer Company Statistics (Missouri Jurisdictional)

Classification and Company	Customers	Classification and Company	Customers
<b>Class B</b>		LW Sewer Corporation .....	188
(Revenue from \$250,000 - \$500,000)		Lake Carmel Development Company .....	17
Imperial Utility Corporation .....	1,220	Lake Hannibal Sewer Corporation .....	13
West Elm Place Corporation .....	2,910	Lake Northwoods Utility Company .....	13
		J.L. Lewis Construction Incorporated .....	73
		Lincoln County Utility Company .....	114
<b>Class C</b>		Meadows Water Company .....	118
(Revenue from \$50,000 - \$250,000)		Mill Creek Sewers Incorp. ....	74
House Springs Sewer Company .....	334	Missouri Cities Water Company .....	101
Maplewood Service Company .....	363	MPB Incorporated .....	58
Meramec Sewer Company .....	750	P.C.B. Incorporated .....	210
Terre Du Lac Utilities Corporation .....	763	Peaceful Valley Service Company .....	117
		PIHI Investments Incorporated .....	84
<b>Class D</b>		Port Perry Service Company .....	40
(Revenue under \$50,000)		Riverside Utility Company .....	45
Batson Development Company .....	163	Rogue Creek Valley Incorporated .....	67
Cassidy Water Company .....	6	Roy L. Utilities Incorporated .....	44
Cedar Hill Utility Company .....	308	SK&M Water & Sewer Company .....	87
Central Jefferson County Utility Inc. ....	115	Schell Sanitation Incorporated .....	123
Cleanco Sewer Corporation .....	8	Shepard of the Hills .....	5
Eastern Missouri Utilities Company .....	2	SLR Development Company .....	209
English Village Sewer Company .....	334	South Jefferson County Utility Company .....	81
Franklin County Service Company .....	53	Southwest Sewer Corporation .....	-
Gladlo Water & Sewer Company .....	60	Stoddard County Sewer Company .....	129
Gold Investments Incorporated .....	100	Swiss Villa Utilities Incorporated .....	82
Herculaneum Sewer Company .....	122	Vogel Sewer System Incorporated .....	162
Hickory Hills Water & Sewer Company .....	40	W.C. Sewer Systems Incorporated .....	123
Hillcrest Utilities Company .....	130	Waters Edge Sewer Company .....	139
Hillshine Comm. W & S Company .....	27	Willows Utility Company .....	168
Incline Village Sewer Company .....	52	Woodland Heights Utilities Incorporated .....	68
		WPC Sewer Company .....	33

## Maps and Statistics

### Calendar Year 1989 Water Company Statistics (Missouri Jurisdictional)

Classification and Company	Customers	Classification and Company	Customers
<b>Class A</b>		High Ridge Manor Water Company	30
(Revenue over \$500,000)		Highway H Utilities, Inc.	90
Capital City Water Company	9,742	Hillcrest Utility Company	130
Empire District Electric Company	4,000	Hillshine-Comm. W & S Co	25
Missouri Cities Water Company	30,458	Incline Village Water Company	52
Missouri-American Water Company	46,502	Jefferson County Water Company	41
Raytown Water Company	6,640	Kimberling City Water Company	101
St. Louis County Water Company	283,163	Lake Northwoods Utility Company	13
Union Electric Company	13,399	Lakeland Heights Water Company	149
U.S. Water/Lexington, Mo., Inc.	2,168	Lakeview Heights Water Service	51
		Lakewood Hills Water Company, Inc.	105
<b>Class B</b>		Lakewood Manor Water Co.	23
(Revenue from \$250,000 - \$500,000)		Lincoln County Utilities Company	114
Four Seasons Lake Sites Water Company	611	LTA Water Company	70
		McCord Bend Water Company	89
<b>Class C</b>		Merriam Woods Water Company	429
(Revenue from \$50,000 - \$250,000)		Moore Bend Water Company	93
I H Utilities Incorporated	651	Oakbrier Water Co.	32
Maplewood Service Company	364	Osage Water Co.	53
Noel Water Company	557	Ozark Mountain Water Company	262
Terre Du Lac Utilities Corporation	875	Peaceful Valley Service Company	124
The Meadows Water Company	729	PIHI Investments Incorporated	137
Tri-State Utility Company	643	Port Perry Service Company	112
		Quail Run Water & Land Company	16
<b>Class D</b>		Rankin Acres Water Company	80
(Revenue under \$50,000)		Rex Deffenderfer Enterprises, Inc.	373
A.D. Henss	92	Riverfork Water Co.	2
AREN Corporation	43	Riverside Utility Company	108
Batson Development Company	218	Rocky Ridge Ranch Utilities Company	356
Big Val Utility Corporation	8	Rogue Creek Utility Incorporated	89
Camelot Utility Company	125	Roy L. Utilities Incorporated	51
Cat-Pac Waterworks Incorporated	135	Royal Oaks Water & Sewer Utility Co.	65
Cedar Hill Estates Water Company	168	SK&M Water & Sewer Company	172
Central Jefferson County Utility Inc.	116	South Jefferson County Utility Company	81
Coney Island Water System Incorporated	81	Stockton Hills Water Company	107
Davis Water Company	232	Stoneshire Water Company	48
Evergreen Lake Water Company	35	Suburban Water Company	152
Finley Valley Water Company	31	Swiss Villa Utilities Incorporated	82
Franklin County Service Company	27	Taney County Utilities Corporation	394
Franklin County Water Company	118	Whispering Hills Water System	43
Frime! Water Systems Incorporated	72	White Branch Water Service	189
Gatliff Water Company	91	White River Valley Water Company	108
Gladlo Water & Sewer Company	54	Wilden Heights Water Company	21
Hickory Hills Water & Sewer Company	40	Willows Utility Company	164
		Woodland Heights Utilities Incorporated	68

## Additional Information

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### Customer Services

The Missouri Public Service Commission has three offices for assisting consumers. The offices are located in Jefferson City, St. Louis and Kansas City. The Commission is open from 8-12 noon and 1-5 p.m., Monday through Friday, except on state holidays.

If you live outside of the St. Louis and Kansas City areas, you may contact the Jefferson City office without charge by using the toll-free Consumer Hotline: (800) 392-4211.

If you live in the St. Louis or Kansas City areas, you may take your complaint to the PSC Consumer Services Offices in those cities.

**Jefferson City:** Missouri Public Service Commission  
Harry S Truman State Office Building  
301 W. High  
(Mailing Address: P.O. Box 360)  
Jefferson City, MO 65102  
Toll-free Consumer Hotline for  
Complaints: (800) 392-4211  
Other Business: (314) 751-3234

**St. Louis:** Missouri Public Service Commission  
The New Frisco Building  
Suite 330  
906 Olive Street  
St. Louis, MO 63101  
Telephone No: (314) 444-6807

**Kansas City:** Missouri Public Service Commission  
Suite 510  
615 E. 13th Street  
Kansas City, MO 64106  
Telephone No: (816) 889-2816



## Additional Information

### Commissioners Past and Present

The Missouri Public Service Commission was formed in 1913 by the Missouri General Assembly. Those who have served as Commissioners of the Missouri Public Service Commission since its beginning appear below:

#### PRESENT COMMISSION

* William D. Steinmeier	February 1, 1984
David L. Rauch	March 23, 1989
Allan G. Mueller	July 11, 1983
Ken McClure	January 3, 1990
Ruby Letsch-Roderique	January 3, 1990

<i>Former Commissioners</i>	<i>Length of Service</i>	<i>Former Commissioners</i>	<i>Length of Service</i>
* John M. Atkinson	**1913-1916	* Albert Miller	1943-1944
William F. Woerner	**1913-1914	Richard Arens	1944-1945
John Kennis	**1913-1917 and 1920	* Kyle Williams	1941-1952
Frank A. Wightman	**1913-1915	Agnes Mae Wilson	1943-1949
Howard B. Shaw	**1913-1917	* Morris E. Osburn	1945-1952
Edwin J. Bean	1914-1925	John P. Randolph	1949-1951
Eugene McQuillin	1915-1917	Henry McKay Cary	1950-1955
* William G. Busby	1916-1921	Frank Collier	1953-1954
David E. Blair	1917-1920	Maurice W. Covert	1952-1953
Noah W. Simpson	1917-1923	Charles L. Henson	1942-1959
Edward Flad	1917-1921	M. J. McQueen	1954-1956
* John A. Kurtz	1920-1923	D. D. McDonald	1955-1961
Hugh McIndoe	1921-1923	Frank J. Iuen	1959-1963
A. J. O'Reilly	1921-1925	* Tyre W. Burton	1952-1965
Richard H. Musser	1923-1925	William Barton	1956-1965
* Merrill E. Otis	1923-1924	Frank W. May	1961-1967
D. F. Calfee	1925-1929	E. L. McClintock	1945-1967
* Thomas J. Brown	1923-1928	Donal D. Guffey	1963-1968
James P. Painter	1928-1929	Howard Elliott, Jr.	1967-1970
* Almon Ing	1925-1933	* Marvin E. Jones	1967-1973
S. M. Hutchison	1925-1931	* William R. Clark	1965-1975
* Milton R. Stahl	1929-1933	Willard D. Reine	1968-1975
J. Fred Hull	1929-1934	* James F. Mauze	1971-1975
* J. C. Collet	1933-1935	* A. Robert Pierce, Jr.	1973-1977
Harry E. McPherson	1934-1935	* James P. Mulvaney	1975-1977
J. H. Porter	1925-1933	Charles J. Fain	1965-1977
George H. English	1931-1936	Stephen B. Jones	1975-1979
William Stoecker	1933-1936	Hugh A. Sprague	1975-1979
Albert D. Nortoni	1936-1938	Stephanie Bryant	1979-1981
W. M. Anderson	1933-1938	* Alberta Slavin	1977-1981
Scott Wilson	1938-1941	Larry W. Dority	1979-1983
* Sam O. Hargus	1935-1937	Leah Brock McCartney	1977-1983
John S. Boyer	1935-1941	* Charles J. Fraas	1977-1983
Marion S. Francis	1938-1941	* John C. Shapleigh	1981-1984
* J. D. James	1937-1942	Charlotte Musgrave	1981-1988
Paul Van Osdol	1941-1943	Connie Hendren	1983-1989
* Frederick Stueck	1941-1943	James M. Fischer	1984-1989
John A. Ferguson	1936-1944		

\*Those who have served as Chairman of the Public Service Commission

\*\*First Commissioners of the Public Service Commission